

ADOPTED 2013 BUDGET**DEPT:** EMPLOYEE FRINGE BENEFITS**UNIT NO.** 1950**FUND:** General - 0001

BUDGET SUMMARY				
	2011 Actual	2012 Budget	2013 Budget	2012/2013 Change
Health Benefit Expenditures	\$ 136,222,057	\$ 122,056,834	\$ 118,502,180	\$ (3,554,654)
Pension Related Expenditures	66,850,267	63,716,138	66,724,779	3,008,641
Other Employee Benefit Expenditures	4,079,250	5,188,388	5,374,214	185,826
Total Expenditures	\$ 209,677,004	\$ 190,961,360	\$ 190,601,173	\$ (360,187)
Total Abatements	(192,983,632)	(173,692,599)	(173,624,566)	68,033
Total Direct Revenue	\$ 9,794,477	\$ 17,268,761	\$ 16,976,607	\$ (292,154)
Total Tax Levy	\$ 6,898,895	\$ 0	\$ 0	\$ 0

BUDGET HIGHLIGHTS

In March of 2007, the County Board of Supervisors adopted a methodology for allocating fringe benefit costs to departmental budgets. In accordance with that methodology, the following costs have been applied to eligible FTEs and salary dollars in departmental budgets for 2013:

Table 2 - Fringe Benefit Costs Per Eligible FTE - 2013

	Budget	
	Health Care	Pension % of Salary
Active Employee	\$15,089	15.51%

Fringe benefit costs are segregated into healthcare and pension components. Active healthcare costs are budgeted as a fixed cost per eligible FTE. Healthcare costs include all health benefits and other non-pension related benefits. Active pension costs are calculated as a percent of salary and include all retirement system contributions and debt service on pension notes issued in March of 2009. Generally, legacy costs are allocated based on a 3-year average of FTE by department. Because of the allocation method for legacy costs, each department has a different rate for legacy healthcare and legacy pension costs.

For budget presentation purposes, the health and pension costs calculated per FTE remain fixed at these levels throughout the entire budget process. However, to accurately reflect the budgeted expenditures for health and pension costs, each department receives an allocation to either increase or decrease its benefit expenditures as determined by fringe-related expenditures. Actual fringe rates will be determined after the final budget is adopted.

Healthcare Expenditures

Total net budgeted healthcare benefits costs decrease \$3,735,560 in 2013 to \$111,369,235. Projected changes from 2012 to 2013 for healthcare benefits are as follows.

ADOPTED 2013 BUDGET**DEPT:** EMPLOYEE FRINGE BENEFITS**UNIT NO.** 1950**FUND:** General - 0001**Table 3 - Healthcare Expenditures**

		2012	2013	2012/2013	Percent
		Budget	Budget	Change	Change
1	Basic Health Benefits, Including Major Medical	\$ 107,028,666	\$ 103,261,031	\$ (3,767,635)	-3.52%
2	Dental Maintenance Organizations (DMO)	3,218,334	3,379,251	160,917	5.00%
3	County Dental Plan	1,423,728	1,466,440	42,712	3.00%
4	Wellness and Disease Management Program	625,000	904,168	279,168	44.67%
5	FSA Contributions	3,426,525	3,691,672	265,147	7.74%
6	Medicare Part B Reimbursement (Retirees)	6,334,581	6,524,618	190,037	3.00%
7	Total Health Benefit Expenditures	\$ 122,056,834	\$ 119,227,180	\$ (2,829,654)	-2.32%
8	Employee Health Contributions	6,137,100	6,999,900	862,800	14.06%
9	Retiree Health Contributions	814,939	858,045	43,106	5.29%
10	Total Health Benefit Revenue	\$ 6,952,039	\$ 7,857,945	\$ 905,906	13.03%
11	Total Health Benefit Cost	\$ 115,104,795	\$ 111,369,235	\$ (3,735,560)	-3.25%

Basic Health Benefits, Including Major Medical. For 2013, the County continues to be self-insured with United Healthcare continuing as third-party administrator. A modified version of the single plan design implemented in 2012 is continued for all employees and retirees.

In order to estimate 2013 costs, the County's actuary calculated a base projection using medical and prescription drug claims incurred for 36 months (July 2009 through June 2012). The trend provided a year-over-year inflationary factor on medical and pharmaceutical claims of 7.5 percent or the equivalent of a budget-to-budget inflationary factor of 8.2 percent.

Savings of \$4,275,100 are applied for plan design changes. These savings result primarily from converting the current 2-tier model to a 4-tier model, and increasing the annual deductible for all employees and retirees. The maximum annual deductible is shown below:

Tier	In Network
	Annual Deductible
Employee Only	\$800
Employee + Child(ren)	\$1,050
Employee + Spouse	\$1,600
Employee + Family	\$1,850

There is no change to office visit copays, preventive services, or coinsurance. The prescription medication for 90-day mail order medications will also be equal to two and one-half (2.5) times the 30-day retail amount.

Dental and Other Healthcare Expenditures and Revenues. The Dental Associates DMO and the Humana PPO continue to be offered at the same service levels as 2012 for a budgeted cost of \$4,845,691 (Table 3, Lines 2 & 3).

Wellness Program. A comprehensive wellness program is an investment in improving the health of employees and slowing the long-term rate of healthcare cost increases. The 2013 Budget includes \$904,168¹ (Table 3, Line 4) for implementing and administering an employee wellness program designed to improve the overall long-term

¹ The Adopted Budget narrative has been modified from \$950,000 to \$904,168 to reflect the actual appropriation of \$904,168 for the wellness initiative. This includes an appropriation of \$179,168 from the Recommended Budget and an appropriation of \$725,000 from Amendment 1C013.

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health of Milwaukee County's covered population through providing health education and awareness, promoting prudent preventive medicine, and encouraging healthy activities and choices.

An RFP will be issued for a comprehensive wellness program, managed by a Third Party Administrator (TPA) that includes a Disease Management component, a health risk assessment with biometric screening, health coaching and quarterly follow-up contacts by health professionals. A TPA contract proposal will be submitted for County Board approval no later than March 2013. The Employee Benefits Division of the Department of Human Resources will work with the TPA to broaden the definition of preventive health services that can be accessed without office visit co-pays, thereby incenting well-checks. The wellness program will incentivize program participation by applying a health assessment fee for employees (and spouses) not participating in the program. Revenue from implementing this assessment fee during 2013 is estimated at \$144,000 and will partly offset the cost of the program. In addition, the wellness program will include a series of group exercise and fitness classes free to county employees at identified convenient locations. The cost of these classes in 2013 is estimated at \$25,000.

The Employee Benefits Work Group shall develop a specific plan for implementing the wellness program under the general parameters set above, and shall submit it to the Committee on Finance, Personnel and Audit in the March 2013 committee cycle for review and approval for implementation. This plan could include, but not be limited to, a multi-step process for employees and spouses to undertake, including health assessments, lab testing/biometrics and meetings with health coaches, as well as an educational program for tobacco users. Other possible components could address healthy lifestyles and efforts to reduce risky behavior and improve overall health.

Flexible Spending Account (FSA) Contribution. Milwaukee County will contribute to active employees flexible spending accounts in 2013, resulting in budgetary costs of \$3,691,672 (Table 3, Line 5). The contributions will be based on the new four-tier monthly premium system:

Flexible Spending Account Contributions	
Premium Tier	Contribution
Employee Only	\$600
Employee + Child(ren)	\$1,440
Employee + Spouse	\$1,200
Employee + Family	\$1,800

Medicare Part B Reimbursement. Medicare Part B reimbursement continues for all employees eligible to receive the reimbursement. The anticipated reimbursement is budgeted based on a three percent trend of the current year estimate, for a total budgeted amount of \$6,524,618 (Table 3, Line 6).

Medicare Part D Revenues. Due to implementation of the Employee Group Waiver Plan (EGWP) for prescription drug benefits, the County will no longer receive a direct reimbursement from the Federal government for retiree drug benefits. Instead savings will be achieved directly through lower expenditures for prescription drug benefits.

Employee Healthcare Contributions and Retiree Healthcare Contributions. Budgeted contributions from employees and retirees for health and dental premiums increase \$905,906 in 2013 to \$7,857,945 (Table 3, Line 10). This increase is largely due to an increase in employee-paid healthcare contributions as part of the 2013 Budget. These contributions are budgeted in a four-tier premium system as shown below:

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Tier	Monthly Premium
Employee Only	\$100.00
Employee + Child(ren)	\$125.00
Employee + Spouse	\$200.00
Employee + Family	\$225.00

Because the County has not reached agreements with the Milwaukee Deputy Sheriffs Association (DSA) or the Milwaukee County Fire Fighters Association for 2013, the budget assumes that members of the DSA will contribute \$85 for a single coverage and \$170 for family coverage and that members of the Milwaukee County Fire Fighters Association will contribute \$110 for single coverage and \$220 for a family coverage. The members of the DSA and Firefighters Association will not have a reduction in premiums from the family rate for employees enrolled in Employee + Child(ren) or Employee + Spouse coverage tiers. The 2013 Budget assumes modifications to health benefit plan design for these groups to arrive at equivalent health benefit packages.

On-Site Health Clinic. The Employee Benefits Workgroup, comprised of staff from the Department of Administrative Services, Office of the Comptroller, County Board, Corporation Counsel and others that may be needed, are authorized and directed to study the merits of creating an on-site health clinic for employees, retirees and dependents. Employer provided on-site health clinics have proven to help improve care and reduce the cost of providing health insurance coverage. On-site health clinics have been implemented by many major private employers and, according to a recent national survey, 29 percent of large government entities have also done so. The Workgroup shall also study the potential location of a clinic, including whether the Behavioral Health Division offers opportunities to co-locate a facility that would minimize start-up costs. The Workgroup shall issue a report to the Committee on Finance, Personnel and Audit for consideration in the July 2013 cycle that provides a cost benefit analysis of various options (e.g. preventative or urgent care) and, if appropriate, an initial plan to create an on-site health clinic.

Pension-Related Expenditures

Total net budgeted pension-related expenditures increase \$4,340,218 in 2013 to \$58,602,224. Projected changes from 2012 to 2013 for pension benefits are as follows.

Table 4 - Pension Expenditures					
		2012 Budget	2013 Budget	2012/2013 Change	Percent Change
1	Mandatory Annuity Contribution	\$ 17,700	\$ 17,700	\$ 0	0.00%
2	OBRA Contribution	880,000	360,000	(520,000)	-59.09%
3	Employees' Retirement System Normal Cost	17,171,519	14,996,000	(2,175,519)	-12.67%
4	Amortization of the Unfunded Actuarial Accrued Liability	10,236,000	15,586,000	5,350,000	52.27%
5	Stabilization Fund Contribution	0	0	0	0.00%
6	Debt Service on Pension Notes Issued 3/2009	33,304,919	33,659,079	354,160	1.06%
7	Miscellaneous Pension-Related Expenditures (Doyle)	2,106,000	2,106,000	0	0.00%
8	Total Pension-Related Expenditures	\$ 63,716,138	\$ 66,724,779	\$ 3,008,641	4.72%
9	Pension-Related Revenue (Doyle)	\$ 223,545	\$ 170,000	\$ (53,545)	-23.95%
10	Employee Retirement Contribution	9,053,000	7,863,762	(1,189,238)	-13.14%
11	Employee Retirement Contribution (State Employees)	177,587	88,794	(88,794)	-50.00%
12	Total Pension-Related Revenues	9,454,132	8,122,556	(1,331,577)	-14.08%
	Total Pension-Related Cost	\$ 54,262,006	\$ 58,602,224	\$ 4,340,218	8.00%

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Mandatory Annuity Contribution. While the ERS is substantially non-contributory, participants meeting certain criteria have the option to contribute to membership accounts. The County also contributes to the membership accounts of most employee participants enrolled prior to January 1, 1971. The total budgeted contribution for the 2013 mandatory annuity contribution is \$17,700 (Table 4, Line 1).

OBRA. The OBRA 1990 Retirement System of the County of Milwaukee ("OBRA") covers seasonal and certain temporary employees who do not elect to enroll in the ERS. OBRA members are immediately vested and earn a benefit equal to two percent of their covered salary for each year of OBRA service. Pursuant to the most recent actuarial valuation dated January 1, 2012, the 2013 contribution to OBRA is budgeted at \$360,000 (Table 4, Line 2).

For 2013, Wisconsin State Statute section 59.875 is applied to members of the OBRA plan, and Milwaukee County will begin collecting from these employees one-half of the actuarially required contribution of the OBRA plan. The employee pension contribution for OBRA members for 2013 will be 1.6 percent. This amount is budgeted as revenue of \$100,000 (Table 4, Line 10).

Employees' Retirement System. The 2013 Budget fully funds the County's required contributions to the pension fund and the debt service related to the pension obligation bonds. The 2013 budgeted amount of \$64,241,079 for the County's contribution to the Employees' Retirement System of Milwaukee County (the "ERS") includes normal costs of \$14,996,000 (Table 4, Line 3), an unfunded actuarial accrued liability cost of \$15,586,000 (Table 4, Line 4) based on the 2012 actuarial valuation and debt service costs of \$33,659,079 (Table 4, Line 6).

Stabilization Fund Contribution. In March of 2009 the County issued \$400,000,000 in pension notes to fund a portion of the unfunded actuarial accrued liability ("UAAL"). The County structured its issuance to provide level debt service for 25 years on the notes and also committed to providing annual funding of \$2,000,000 for the Stabilization Fund. For 2013 the contribution is suspended.

Doyne Employees. In 1989, United Regional Medical Services was formed as a joint venture of Froedtert Hospital and Doyne Hospital for laboratory and radiology services. As part of the joint venture agreement, the County was required to pay the ongoing pension-related expenses for Doyne employees shifted to the United Regional Medical Services. The 2013 Budget includes \$2,106,000 (Table 4, Line 7) in expenditures for these pension-related expenses, which is offset by an estimated \$170,000 (Table 4, Line 9) in revenue based on 2011 actuals.

Employee Retirement Contribution. The State of Wisconsin adopted State Statute section 59.875 as part of 2011 Wisconsin Act 10, mandating that Milwaukee County collect from employees one-half of the actuarially required contribution of the Employee Retirement System. Pursuant to File No. ORD 11-8 adopted on July 28, 2011, the employee pension contribution for 2013 will be set through the budget resolution. The contribution percentages are as follows²:

Group	Contribution Rate
Public Safety	6.60%
General	4.40%

² Because the County has not yet reached agreements with the Milwaukee Deputy Sheriffs Association (DSA) or the Milwaukee County Fire Fighters Association for 2013, the budget assumes that members of the DSA will contribute 6.6 percent and that members of the Milwaukee County Fire Fighters Association will contribute 0 percent.

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Former County Employees Transferred to the State for Income Maintenance and Child Care. Certain employees were transferred from County employment to State employment and were allowed to stay in the County's Employees' Retirement System or to transfer to the Wisconsin Retirement System (WRS). The normal cost associated with those employees who remained in the County's ERS, but were not yet vested, is paid by the State. Therefore, the 2013 Budget includes a reimbursement from the State in the amount of \$88,794 (Table 4, Line 11).

Other Employee Benefits Expenditures

Group Life Insurance. The group life insurance appropriation is based on the amount of coverage that is determined by an employee's salary. For 2013, \$2,976,171 is budgeted for the cost of group life insurance. Revenues from employee and retiree contributions are budgeted at \$908,791.

Corporate Transit Pass Program. An expenditure of \$785,926 is budgeted for the County's corporate transit pass program. For 2013, the employee continues to reimburse the County \$30.00 per quarter/\$10.00 per month through a payroll deduction for an estimated revenue offset of \$87,315.

Miscellaneous Expenditures

Professional Services. An expenditure appropriation of \$250,000 is included to retain outside consultants, actuaries, and other professional services to assist staff in actuarial analysis, ad hoc reporting, request for proposals preparation, contract and rate negotiations, annual enrollment processing and other areas where additional expertise in healthcare advisory services may be needed, including for the Employee Benefits Work Group.

Cost Allocation Plan Expenditure. Included in 2013 is an appropriation of \$637,117 for the Department of Human Resources - Employee Benefits Division portion of the 2013 Cost Allocation Plan. Previously included in the Central Service Allocation, this amount is now included in this budget, and reflected as an expenditure and abatement similar to the Central Service Allocation plan. The total amount budgeted is the 2011 actual amount.

Five-Year History of Expenditures and Revenues

Table 5 - Five-Year History of Expenditures and Revenues						
	2008 - Actual	2009 - Actual ³	2010 - Actual	2011 - Actual	2012 - Adopted	2013 - Adopted
Health Benefit Expenditures	\$ 138,116,213	\$ 123,683,647	\$ 132,619,138	\$ 138,642,087	\$ 122,056,834	\$ 119,227,180
Pension Related Expenditures ³	40,862,255	49,829,829	66,384,489	66,872,988	63,716,138	66,724,779
Employee Group Life Insurance	2,465,158	2,541,033	2,460,489	2,666,400	3,199,680	2,976,171
Other Employee Benefits Expenditures	1,242,824	573,824	1,355,543	1,591,956	1,988,708	1,673,043
Total Fringe Benefit Expenditures	\$ 182,686,450	\$ 176,628,333	\$ 202,819,659	\$ 209,773,431	\$ 190,961,360	\$ 190,601,173
Revenues (All Sources)	\$ 7,201,446	\$ 6,068,736	\$ 6,210,982	\$ 7,072,042	\$ 17,268,761	\$ 16,976,607
Total Revenues (All Sources)	\$ 7,201,446	\$ 6,068,736	\$ 6,210,982	\$ 7,072,042	\$ 17,268,761	\$ 16,976,607

Wage and Benefit Expenditures

Wage Increase.⁴ The 2013 Budget includes a wage increase of 1.5 percent for most employees beginning May 12, 2013 (pay period 12).

Step Increases. Step increases are included as follows:

³ In the 2009 actuals, the Mercer Settlement was accounted for as a revenue and expenditure (as an increased pension contribution). For comparison purposes, these offsetting entries have been removed from the figures above.

⁴ Subject to negotiation with represented employees in accordance with State Statute.

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Group	STEPS
Milwaukee District Council 48	Steps on or after 7/10/2013 per CGO
Association of Milwaukee County Attorneys	Steps budgeted
Federation of Nurses and Health Professionals	Steps not budgeted per CGO
Building and Trades	Not Applicable
Int'l Assoc of Machinists and Aerospace Workers	Steps not budgeted per CGO
Technicians, Engineers and Architects of Mke Cnty	Steps budgeted
Milwaukee Deputy Sheriff's Association	Steps budgeted

The funding for Wage and Step increases noted above are included within the Salaries and Wages budgeted within each department.